

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: 25 MAR 1998

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Employer Identification
Number:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(6) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on [REDACTED] under [REDACTED].

The purposes for which the corporation is organized are: Business professionals exchanging ideas and information for the growth of our enterprise and the betterment of our clients, customers and community.

The organization indicated in the Form 1024 Application that the activities consist of holding weekly luncheon meetings and share business leads with other members who provide such services.

In the organization's statement of Rules and Regulations, members are fined a nominal amount of \$[REDACTED] for failure to provide at least one business lead per week. The regulations further state that membership shall be limited to one member from each type of business.

In your response letter dated July 10, 1997, you stated the following: "We learn about what other business members have to offer in terms of services and products not only to us but as would benefit our customers. If either we are in need of their services, or a customer of ours, we would simply provide a business lead. No money is charged or exchanged hands for these business leads. A business lead to an insurance agent member would merely consist of another member telling the agent for example that I referred [REDACTED] to you and he is looking for competitive rate on car insurance. The business lead many times does not include an address or a phone number. But it provides a point of reference that when [REDACTED] does call the insurance agent, he can be better serve."

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

An IRC 501(c)(6) organization's primary activity cannot be performing particular services for members.

Revenue Ruling 59-391 1959-2 C.B.151 describes an organization that is composed of individuals, firms, associations, and corporations. Each entity representing a different trade, business, occupation or profession. The purpose of this organization is to exchange information on business prospects. There is no common business interest other than a mutual desire to increase individual sales. The activities are not directed to the improvement of one or more lines of business. The primary purpose is the promotion of the private interests of its members. This organization is held to be not entitled to exemption from Federal income tax as a business league under section 501(c)(6) of the Internal Revenue Code.

Your organization limits its membership to one individual from each type of business. By doing this, you fail to meet the criteria of being comprised of individuals having a common business interest, because the resulting membership is made up of individuals representing distinct and separate types of businesses, each having different purposes and characteristics. The fact that the primary activity involves the provision of business leads - is a strong indicator that your organization is organized to serve the individual profit motives of its members rather than the improvement of business conditions for one or more lines of business. Your organization is similar to the organization described in the above Revenue Ruling which it does not meet the requirement for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(6) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,



acting District Director

Enclosure: Publication 892